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CLERK US DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

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11 UNITED STATES DISTRICT COURT
12 SOUTHERN DISTRICT OF CALIFORNIA
12 SAN DIEGO DIVISION

13 **GABRIEL TECHNOLOGIES**
14 **CORPORATION and TRACE**
14 **TECHNOLOGIES, LLC,**

15 Plaintiffs,

16 vs.

17 **QUALCOMM INCORPORATED,**
17 **SNAPTRACK, INC., and NORMAN**
17 **KRASNER,**

18 Defendants.

CIVIL ACTION NO. 3:08-cv-01992-AJB-MDD

PLAINTIFFS' RESPONSE BRIEF
REGARDING DAMAGES DISCOVERY
PURSUANT TO MAGISTRATE JUDGE
DEMBIN'S JULY 6, 2012 ORDER

INTRODUCTION

2 The Court requested briefing on the single issue “of whether and to what extent the
3 requested discovery poses an undue burden or expense upon Defendants within the meaning of
4 Fed. R. Civ. P. 26(c).” Doc. No. 276. The requested discovery consists of nine specific
5 document requests, a copy of which is attached as Exhibit A to the accompanying declaration of
6 Peter A. Sullivan, Esq. (hereinafter the “Sullivan Decl.”). Plaintiffs tailored their requests
7 narrowly, directing them to documents “sufficient to show” the revenues derived from licensing
8 the six patents in suit, based on the understanding that the patents were generally licensed by
9 Defendants on a portfolio basis at standard rates. None of the requests call for “all documents”
10 or seek production of similar scope.

11 Defendants once again stray from the limited issue specified by the Court, addressing the
12 merits and rules provisions other than the one specified by the Court, and arguing burdensome-
13 ness based on a misconstruction of the requests. Without reference to particular requests, Defen-
14 dants argue that they will be required to review, produce and/or log [REDACTED] individ-
15 ual transaction documents [REDACTED]

16 [REDACTED]. These protests are well off the mark because Plaintiffs' re-
17 quests do not call for production of such documents.

18 In sum, Defendants have not made any showing that the burden of responding to the
19 requests before the Court is either undue or unfair. Consequently, the Court should allow the
20 requested damages discovery to proceed.

ARGUMENT

I. PLAINTIFFS' REQUESTS ARE NOT TO UNDULY BURDENOME.

A. Plaintiffs' Requests are Narrowly Tailored

24 Plaintiffs' requests are directed at discovering the licensing revenues relating to the
25 Patents-in-Suit, so that a qualified expert may determine the profits attributable to Defendants'
26 licensing of those patents. This is appropriate discovery where, as discussed in Plaintiffs' prior
27 briefing, unjust enrichment based on those profits is at issue.

1 Plaintiffs' requests seek "documents sufficient to show" the types of licenses under which
 2 the Patents-in-Suit were licensed (Requests Nos. 1 and 3); any units in which the Patents-in-Suit
 3 were grouped together for licensing purposes (Request No. 2); gross revenues per year for the
 4 licenses as classified by such groupings (Request No. 4); how the gross license revenues were
 5 attributed or attributable to the Patents-in-Suit (Request No. 6); any internal valuations of the
 6 Patents-in-Suit (Request No. 5); and how the Patents-in-Suit were licensed as standards-essential
 7 patents (Requests Nos. 7 and 8), or in cross-licenses (Request No. 9). (See Sullivan Decl. Ex. A,
 8 Schedule A). Each of these requests was specifically drafted with respect to types or classes of
 9 licenses, so as to *avoid* calling for production of all underlying individual license-related
 10 documents.

11 **B. Defendants' Arguments are Directed Against Misstated Requests**

12 A party resisting discovery must "show specifically how . . . each . . . [request for
 13 production] . . . is overly broad, burdensome or oppressive." *Foselman v. Caropreso*, 2011 WL
 14 999549 at *4 (N.D.Cal. 2011) (citing *Josephs v. Harris Corp.*, 677 F.2d 985, 992 (3d Cir. 1982)).
 15 Defendants fail to address the individual requests for production, or specify the burdens of
 16 particular requests. They overlook that the requests were for documents "sufficient to show" the
 17 information requested. Instead, Defendants assert that a broader production – well beyond the
 18 scope of what was actually requested – would be burdensome.

19 Without discussing any request language whatsoever, Defendants repeatedly assert that
 20 Plaintiffs' requests call for production of "██████████ license agreements and related
 21 documents." See Supp. Br. at 1, 2 and 3. In one example, Defendants claim that Plaintiffs
 22 requested production of "the negotiating history documents for each of the ██████████ license
 23 agreements." They take this position because one of the requests used the words "offer to
 24 license" (Supp. Br. at 3). Read in context, however, the word "offer" in the request in question
 25 (Request 1) clearly relates to a request for information concerning the *types* of licenses under
 26 which Defendants had licensed or offered to license the Patents-in-Suit, not for information
 27 concerning individual licenses:

1 1. DOCUMENTS sufficient to show YOUR patent licensing policies, practices and
2 procedures during the PERIOD, including without limitation, the bases and financial
3 terms upon which YOU license, with respect to each of the LICENSE TYPES under
4 which any of the PATENTS-IN-SUIT have been licensed or offered for license during
5 such period.

6 This request simply refers to documents sufficient to show the terms for various *categories* of
7 licenses that have been used. Defendants equate this to a request for "the negotiating history
8 documents for each of the [REDACTED] license agreements." Defendants allow that their
9 interpretation flows from a "broader reading of the requests" (Supp. Br. at 1). However, the
10 reading is more than simply "broad" – it is a mischaracterization.

11 Whether or not requests broader than those made would have been burdensome,
12 Defendants' approach of arguing against such broader requests does not meet the applicable
13 standard because it fails to address the scope of the requests that were actually made.

14 **C. Defendants Overstate the Difficulties of Determining Their Own Revenues**

15 Defendants contend that because their patents are licensed [REDACTED]
16 [REDACTED]

17 [REDACTED], it would be too difficult to determine which of their licenses cover any of the six Patents-
18 in-Suit in any given annual period (Deft. Supp. Br., page 3, lines 4-8). To support this, they
19 submit the declaration of Eric M. Reifschneider, a Senior V.P. in Qualcomm's Technology
20 Licensing Division. However, Mr. Reifschneider's declaration does little other than state the
21 perceived problem. He offers no solutions, and he does not explain why a solution is not
22 feasible. [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]

1
 2 We can only wonder if Mr. Reifschneider would have been as unforthcoming had his
 3 boss asked for the same information. We suspect Qualcomm senior managers would expect
 4 solutions and alternatives. If the request could be satisfied in part, or in a different way,
 5 Qualcomm management would want to know that information.¹ The Court should expect no
 6 less.

7 Defendants have failed to demonstrate why there is anything extraordinary about
 8 extracting the relevant information from the Defendants' files and databases, or otherwise
 9 substantially meeting the request in an alternate acceptable manner.²

10 **II. DEFENDANTS RAISE COLLATERAL AND IRRELEVANT ISSUES
 11 AND MISREAD FEDERAL CIRCUIT DAMAGES PRECEDENTS**

12 Defendants make unresponsive arguments to divert the argument from the issue of
 13 burdensomeness under Rule 26(c) as specified by the Court. Defendants seek instead to argue
 14 under Rule 26(b)(2)(C)(iii), addressing the "benefit of discovery" – as a surrogate for relevance –
 15 rather than sticking to the issue of burdensomeness under Rule 26(c). From this, the Defendants
 16 then wander off into arguing the merits, based on their interpretations of recent expert discovery
 17 (Supp. Br. at 4 & n. 1). Defendants seek to reargue yet again other issues that were previously
 18 briefed. The ground for unjust enrichment that the parties were previously directed to address
 19 was specifically directed to breach of contract. "Sole" vs. "joint" inventorship (Supp. Br. at 1)
 20 goes to a patent remedy, not a remedy for breach of contract.

21 The issue of the "benefit" of discovery under Rule 26(b)(2)(C)(iii) is a separate issue
 22 distinct from burdensomeness. Reduced to its essentials, Defendants argue that when they elect

23 1. [REDACTED]
 24
 25 2. Should the Court nevertheless be concerned that any particular portion of any request is un-
 26 duly burdensome, it of course has the option to limit discovery accordingly, rather than deny
 27 it completely. *See* Fed. R. Civ. P. 26(c)(1)(B)-(H).

1 to commingle their patents in a bundle or pool of patents, there is no way to calculate the value
 2 of individual patents that were included. Therefore, discovery of license agreements is futile – of
 3 no “benefit” under Rule 26(b)(2)(C)(iii). Defendants assert that “[t]he Federal Circuit has held
 4 that these portfolio licenses are not relevant to determine the appropriate royalty for a very small
 5 number of non-comparable patents,” (Supp. Br. at 5), citing two cases: *ResQNet.com, Inc. v.*
 6 *Lansa, Inc.*, 594 F.3d 860, 871 (Fed. Cir. 2010); *Lucent Technologies, Inc. v. Gateway, Inc.*, 580
 7 F.3d 1301, 1332 (Fed. Cir. 2009).

8 These cases do not support the proposition for which they were cited. Indeed, no Federal
 9 Circuit (or other) authority supports that proposition. The *ResQNet* and *Lucent* cases address the
 10 proper use of existing license agreements by experts to establish a reasonable royalty under the
 11 “hypothetical negotiation” approach of *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318
 12 F.Supp. 1116 (U.S.P.Q. 1970). The issue in *Lucent* was that “some of the license agreements
 13 [relied upon by the expert] [were] radically different from the hypothetical agreement under
 14 consideration.” 580 F.3d at 1327-28. In *ResQNet*, the expert relied on “licenses with no
 15 relationship to the claimed invention to drive the royalty rate up to unjustified . . . levels.” 594
 16 F.3d at 870. By contrast, the requests here seeks information specifically as to the types of
 17 licenses “under which” the Patents-in-Suit have been licensed. Moreover, these licenses are
 18 sought specifically in order to establish revenues attributable to the Patents-in-Suit (see, e.g.,
 19 Request. No. 6). The royalty rates (to the extent even at issue) are largely standardized. *See*
 20 Reifsneider Dec., Par. 6.

21 Indeed, the *Lucent* case, cited by Defendants, points the way on this issue. The court held
 22 that it was improper for the jury in that case to base damages on a single license, rather than on
 23 “the average amount of the lump-sum agreements in evidence.” *Lucent Technologies* 580 F.3d
 24 at 1331-1332. It is not the former but the latter – an average figure based on representative
 25 licenses covering the subject patents – that Plaintiffs seek to establish here.

26 **CONCLUSION**

27 For the foregoing reasons, Plaintiffs should be permitted discovery on damages issues.

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2 Dated: July 20, 2012

Respectfully submitted,

3 By: /s/ John van Loben Sels
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